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February 23, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FAME ASSISTANCE CORPORATION CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION
SERVICE PROVIDER**

We completed a fiscal review of FAME Assistance Corporation (FAME or Agency), a Department of Public Health (DPH) HIV/AIDS prevention service provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with FAME to provide health education and risk reduction outreach services. FAME is located in the Second District.

At the time of our review, FAME had one cost reimbursement contract with OAPP. The County paid FAME \$128,045 for the period July 2006 to October 2007. The contract required the Agency to comply with the Ryan White Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements.

Purpose/Methodology

The purpose of our review was to ensure that FAME appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of FAME's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the CARE Act.

Results of Review

Overall, the Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, FAME billed OAPP \$8,374 in questioned costs. Specifically:

- FAME's accounting records did not support \$3,021 in program expenditures reported on their cost reports.
- FAME billed OAPP \$1,813 twice for worker's compensation insurance that was also included in their payroll expenditure billings.
- FAME did not provide documentation to support \$3,540 in employee benefits.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with FAME on September 5, 2008. In their attached response, the Agency agreed with our findings and agreed to repay DPH the \$8,374 in questioned costs. We also notified DPH of the results of our review.

We thank FAME for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Denise Hunter, Chief Executive Officer, FAME Assistance Corporation
Public Information Office
Audit Committee

**HIV/AIDS PREVENTIVE CARE SERVICES
FAME ASSISTANCE CORPORATION
FISCAL YEAR 2006-07 AND 2007-08**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in FAME Assistance Corporation's (FAME or Agency) records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's September 2007 bank reconciliation.

Results

FAME appropriately recorded and deposited cash receipts timely into the Agency's bank account. The Agency also appropriately completed monthly reconciliations.

Recommendation

There are no recommendations in this section.

EXPENDITURES

Objective

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed supporting documentation for a sample of 10 non-payroll expenditures totaling \$9,018 charged to Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) from July 2006 to October 2007.

Results

FAME did not maintain appropriate documentation to support program expenditures. In addition, FAME charged OAPP for unallowable program costs. Specifically, FAME:

- Billed OAPP \$1,813 twice for worker's compensation insurance which was also included in the Agency's payroll expenditures.
- Billed OAPP \$1,600 for undocumented program incentives (e.g., gift cards). Subsequent to our exit conference, FAME provided additional documentation to support the unsupported expenditures. However, FAME should maintain a distribution log and require signatures from program participants upon receipt of the gift cards.
- Did not maintain service agreements to support consultant costs. We verified that the services provided by the consultant were related to OAPP activities. However, the County contract requires services by independent contractors to be supported by service agreements.

Recommendations

FAME management:

1. **Repay DPH \$1,813 for unallowable program expenditures.**
2. **Maintain supporting documentation to support program expenditures.**
3. **Require signatures from program participants upon receipt of gift cards on a distribution log.**
4. **Ensure independent contractor/consultant payments are supported by service agreements which indicate the scope of service, deliverables, the number of hours to be worked and the agreed upon rate of compensation.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the FAME's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this section as the Agency did not charge OAPP any costs for the purchase of any fixed assets.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for three (60%) of five employees for November 2006 to September 2007 totaling \$13,141 and employee benefits totaling \$2,891 to payroll records and time reports. We also reviewed three personnel files of staff assigned to the program activities.

Results

FAME's payroll billings were not always adequately supported. Specifically:

- The Agency's payroll billings for two of the five employees sampled were not adequately supported by their time records. The Agency did not require the two staff to report their actual hours worked by program on their timecards.
- The employee or supervisor did not always sign timecards. We noted two instances where a supervisor did not sign timecards and one timecard was not signed by the employee.
- The Agency charged OAPP \$3,540 in employee benefits that were not supported.

Recommendations

FAME management:

- 5. Repay DPH \$3,540.**
- 6. Bill payroll expenditures based on actual hours worked on OAPP related activities.**
- 7. Ensure that timecards are signed by employees and approved by their supervisors.**

COST ALLOCATION PLAN**Objective**

Determine whether FAME's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate indirect program expenditures.

Verification

We reviewed a sample of expenditures incurred by FAME from August 2006 to October 2007 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

FAME did not have a written Cost Allocation Plan. Subsequent to the exit conference, FAME provided a copy of their Cost Allocation Plan that was in compliance with the County contract.

Recommendation

There are no recommendations in this section.

COST REPORTS**Objective**

Determine whether the Agency's cost reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's Cost Reports for the period ended December 2006 and June 2007 to the Agency's general ledger. In addition, we reviewed a sample of expenditures incurred during August 2006 to March 2007.

Results

The expenditures reported in FAME's Cost Reports exceeded their accounting records by approximately \$3,521. Subsequent to the exit conference, FAME provided documentation to support \$500 of the undocumented costs. As a result, the remaining undocumented costs totaled \$3,021 (\$3,521 - \$500).

Recommendations

FAME management:

- 8. Repay DPH \$3,021.**
- 9. Ensure that all program related expenditures included on the cost reports are supported by the Agency's accounting records.**



FAME Assistance Corporation

Dr. John J. Hunter, Chairman & CEO

Denise Hunter, President and COO

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October 29, 2008

Wendy L. Watanabe
Acting Auditing-Controller
County of Los Angeles Dept. of Auditor-Controller
500 W. Temple Street, Room 525
Los Angeles, CA 90012

RE: FAME Assistance Corporation – 2006-07 OAPP Contract

We have received your results from the review that you conducted on our OAPP Contract for the year ended 06/30/07.

I would like to respond to your findings.

The items and responses are as follows:

Expenditures

FAME did not maintain appropriate documentation to support program expenditures. In addition, FAME charged OAPP for unallowable program costs. Specifically:

FAME billed OAPP \$1,600 for program incentives. However, the Agency did not provide documentation to support the expenditure was OAPP related. Subsequent to our exit conference, FAME provided additional documentation to support the expenditure and the unsupported costs were reduced by the \$1,600. However, FAME needs to improve their controls of gift cards provided. FAME should require signatures from program participants upon receipt of the gift cards on the distribution log.

- FAME billed OAPP \$1,813 for worker's compensation insurance which was also billed through the Agency's employee benefit rate. As a result, OAPP was charged twice for worker's compensation.

- Consultant payments were not adequately supported by a service agreement. We were able to verify that the services provided by the consultant were related to OAPP

activities. The OAPP contract requires services by independent contractors to be supported by service agreements.

Recommendations

1. Repay DPH \$1,813 for unallowable expenditures.
2. Maintain supporting documentation to support program expenditures.
3. Require signatures from program participants upon receipt of gift cards.
4. Ensure independent contractor/consultant payments are supported by service agreements which indicate the scope of service, deliverables, the number of hours to be worked and the agreed upon rate of compensation.

Response:

- 1.) Repay DPH \$1,813.
- 2.) We will ensure that adequate documentation will be behind every single amount charged to OAPP.
- 3.) Also, we will be requiring a name and signature for any recipient receiving a gift card.
- 4.) In the event that we use subcontractors, we will indicate in the agreement the information recommended by the auditors

Payroll and Personnel

Results

Generally, FAME maintained the required personnel records that support authorized employees' salary rates. However, FAME's payroll billings were not always adequately supported with documentation. Specifically:

- The Agency's payroll billings for two employees were not supported by time records. The Agency did not require staff to report the actual hours worked on the

OAPP contract on the timecards. As a result, we were not able to determine the appropriateness of the payroll costs billed to OAPP.

Timecards were not always signed by the employee or supervisor. We noted two instances where timecards were not signed by a supervisor and one timecard was not signed by the employee.

The Agency charged OAPP \$3,540 in employee benefits that were not supported by documentation.

Recommendations:

FAME management:

- 5.) Repay DPH \$3,540.
- 6.) Bill payroll expenditures based on actual costs incurred and actual hours worked on OAPP related activities.
- 7.) Ensure that timecards are signed by employees and approved by their supervisors.

Response:

- 5.) Repay DPH \$3,540
- 6.) We have implemented the EZ Labor Manager Payroll Tracking System that will allow us to rectify any problems with timecards. This system tracks actual hours worked on the program and requires a supervisor's signature before it is submitted for processing to the payroll department
- 7.) See response #6.

Cost Reports

The expenditures reported in FAME's Cost Reports exceeded their accounting records by approximately \$3,521. The Agency's Cost Reports should accurately reflect their total supported program expenditures and agree with their accounting records.

Subsequent to the exit conference, FAME provided documentation to support the undocumented costs. As a result, the undocumented costs were reduced to \$3,021.

Recommendations:

FAME management:

- 8.) Repay DPH \$3,021.
- 9.) Ensure that all program related expenditures included on the cost reports are supported by the Agency's accounting records.

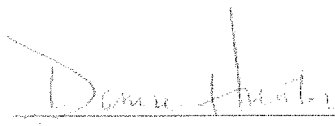
Response:

8.) Repay DPH \$3,021

9.) Overbillings were the result of incorrect charges to the cost report. We presently have an experienced team in place to ensure that appropriate expenses are charged to this program.

Thank you for the opportunity to address these issues, and for the feedback. We will make sure that we continue servicing this contract to the best of our abilities.

Sincerely,



Denise Hunter, President COO